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TNET.BR - Full Year 2012 Telenet Group Holding NV Earnings Conference Call

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CORPORATE PARTICIPANTS

Vincent Bruyneel *Telenet Group Holding NV - SVP of Strategy, IR, Corporate Communications*

Duco Sickinghe *Telenet Group Holding NV - CEO*

Renaat Berckmoes *Telenet Group Holding NV - CFO*

CONFERENCE CALL PARTICIPANTS

Emmanuel Carlier *ING Financial Markets - Analyst*

David Wright *Deutsche Bank - Analyst*

Thomas Deschepper *KBC Securities - Analyst*

Stephane Beyazian *Raymond James & Associates - Analyst*

Peter Testa *One Investments - Analyst*

Marc Hesselink *ABN AMRO - Analyst*

Dimitri Kallianiotis *Citigroup - Analyst*

Sander Van Oort *Kempen & Co - Analyst*

Usman Ghazi *Berenberg Bank - Analyst*

Saroop Purewal *Morgan Stanley - Analyst*

Will Milner *Arete Research - Analyst*

PRESENTATION

Vincent Bruyneel - *Telenet Group Holding NV - SVP of Strategy, IR, Corporate Communications*

Thank you. Ladies and gentlemen, a very good afternoon and morning to you, and welcome to the investor and analyst call for the full year of 2012. My name is Vincent Bruyneel, and I'm Head of Strategy and Investor Relations at Telenet. I trust you all received our earnings release last night, and were able to access the website to obtain our PowerPoint presentation that will be used for this conference call and to join the webcast.

Before we start, as usual I am obliged to advise you that certain statements in this conference call are forward-looking statements. These may include statements regarding the intent, belief or current expectations associated with the evolution of a number of variables that may influence future growth of our business. For more details on these factors, we refer you to the Safe Harbor disclaimer at the beginning of our presentation.

Let me now hand you over to Duco Sickinghe, our CEO, who will provide an overview of the full-year highlights. Renaat Berckmoes, who is our CFO, will provide you more details on the financials afterwards. We will all be pleased to receive questions.

Duco Sickinghe - *Telenet Group Holding NV - CEO*

Vincent, thank you very much. Good afternoon, ladies and gentlemen. I'd like to turn to page 6 where you see an executive summary of our results. On the operating side, we recorded 21% growth in net subscriber additions year on year. You will see later that we achieved a mobile subscriber base of more than 521,000. And, at the same time, our revenue per user -- per customer relationship went up by 9% to EUR45.9. All this comes together with the high-quality broadband base that we now have on our network. And the average speed that was recorded this year amounted to 41 megabits per second. That is 32% up compared to last year, which reflects our continued investment in the network, as I'll relate to you later.

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On the financial results, Renaat will give you most of the headlines there, but obviously revenue came in above our expectations. Our EBITDA right in the middle, which was, given our number of mobile acquisitions, as you probably realized, a very, very good result. And free cash flow was actually very stable. And the balance sheet still reflects the long-term debt maturity that we presented last time.

We still believe that the Company has good growth of ahead of us. In broadband, we believe that in this region we will reach, over time, 95% penetration which is very similar to other northern European countries, which are slightly ahead of us. We still believe that we can cross-sell mobile to our existing cable subscribers; that we will have many more connected devices in the home that will support our broadband access. And, last but not least, as you will later hear more about, we are -- in the next couple of weeks -- introducing new services for YeloTV.

And we turn to page 7, you see the tick in the box for our guidance for revenue growth, as I said, at the high end. Adjusted EBITDA in the middle, but that again against a background of a huge number of mobile additions, including handset subsidies, which are being expensed as we record the sales. And again, on the low end of the accrued capital expenditure, which is a good thing from a cash flow point of view; and as a result, a stable performance in cash flow performance.

All this actually is underpinned on a few priorities we have in the Company on page 8. It is really pinned at broadband, mobility, and next-gen TV. And when we look more closely at broadband, that has everything to do, as you will later see, with our hotspots and homespots, but also with more bandwidth as been generated with our Pulsar node splitting project and also deeper fiberization of the network; and a few other technological movements that I'll talk about later.

Mobile, very important -- we refreshed our mobile data packages. We are preparing ourselves to launch, in probably a year's time, our 4G services, which we access at the Mobistar network. And we see an increasing traction of the offload of mobile traffic via our homespots, which I believe is a strong complement to our King and Kong offering.

If you look at page 9, we have listed a number of our achievements in 2012. We increased the speed and volume of our broadband products. We reached at the top end 120 megabits per second. And, again, all of our customers now get access to over 700,000 modems in the form of homespots, and also 1,200 public hotspots.

Digital TV -- we completed our Belgian soccer offering by now, having all matches available. We concluded, as an example, an exclusive contract with HBO which will allow us to continue to offer great premium entertainment. And we showcased last year our next-gen YeloTV, the new user interface and multiscreen app, also referred to as second screen.

On the mobile phone -- simple, transparent, new competitive offering with King and Kong. We refreshed our data-only plans. And, again, everybody has access to those homespots, which is a very useful complement. For the B2B side of the house, we launched new Business Shakes, which have improved SLAs, which is typically required by companies. We launched CloudOffice, which as you probably imagine, is an important trend we want to catch in the next couple of years. And we did a few important contract wins over the last couple of quarters. Our network, you will later see, also improved greatly in its throughput and performance.

I'd like to turn page 11. On page 11, you see an interesting statistic, I think, and that's our customer mix. We have always discussed with you the evolution of our multiple-play strategy. And here you see that exemplified between 2011 and 2012. We moved with single-play to 29% from 36%, so that's going down. We moved up with our double-play customers from 28% to 30%. And, of course, our triple-play increased from 36% to 41%. And then a significant -- lower left, you can see what it is -- our triple-play customer base increased by 10% to 860,000 customers. And on the right-hand side you see the ARPU per customer relationship went up by 8%, now finishing at EUR47.5.

If we take a particular look at each of our product lines, I'd like to turn to page 12, where you see that we reached a broadband subscriber base of very close to 1.4 million, up 6%. On the right-hand side, you see that the net additions for broadband last year came in higher than the year before, which was, as we have said on previous calls, also a surprise for us as we anticipated a slower market. Lower left end, we give you an impression of our market share of the net additions in the market, but it's only obviously up to Q3, as Q4 data not yet completely available. And on the right-hand side, you can read that we are now servicing almost 50% of the homes passed on our network for broadband.

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On page 13 you get sort of an in-year view -- per quarter of last year, the net additions for Q3, Q4 came in very strong; very comparable to Q4 last year. The annualized churn is at a very similar level as last year for Q4. So all in all, I think a great quarter for broadband.

On page 14 you can see probably why that is. And that is because we continued to push the capacity and service available to our customers. And you can see that in 2012, all of our customers enjoyed speeds in the brackets between 25 and 49 megabits per second, or in excess of 50 megabits per second, and that we said goodbye to all the other tiers. You can see that averaged out, on the lower half of the page, 41 megabits per second, coming from 25 in 2010. And on the right-hand side, you see that we strongly believe that the quality of broadband Internet via cable is significantly better than other available infrastructure.

Page 15, fixed telephony -- very close to 1 million; 969,000 customers, up 10%. On the right-hand side you see, similar to broadband, that we did better than the previous year. But here we also did better than the year before that, 2010; so very strong performance. That's basically due to the multiple-play bundles that we sell, in which fixed telephony is positioned as a very cheap and quality service.

Our flat fee rate plans have obviously helped, as well as our FreePhone Mobile plan, which is very popular. And also there, on the left hand side, you get a notion not of market share, but of the number of lines we recuperate. 131% means that we are recuperating more lines that are actually being lost by our competitors. And that means that, therefore, the fixed telephony market is growing at a healthy clip.

Page 16, subscriber base -- on a quarterly base evolution, 20,000 in Q4, with a little bit more churn, as you can see on the right-hand side. When we double-clicked on that churn it actually has a lot to do with people who are moving from fixed telephony to our King and Kong offer, which we obviously marketed to our own customer base. As a result, I think and also very healthy kind of churn in there, as it's a lot of people to move along with our product innovations, coming from fixed and going to mobile.

Page 17, mobile telephony -- I think more than expected; and that's of course on understatement of our performance for mobile -- 276,000 net additions for the year. That made us double our installed base last year. And if you look at the lower left, you can see the potential is still out there. We started at 3% of our customers having our mobile services. We ended 2012 with 7% carrying a mobile service from Telenet.

If you look at page 18, you get again a quarterly insight. And you see the huge sprint we made at the end of last year. On the right-hand side, you get a notion of the revenues we booked per quarter, and we're now at EUR40 million. No need to say that, going forward, this will be a much more a significant number as our installed base has crept up so quickly. What's also maybe important, but we're going to come to that on the next page -- actually, next page, to point three. People have asked us what we expect the ARPU for mobile to do. And as we expect to have fewer and fewer Walk & Talk 0, meaning people who only pay for usage, not for subscription -- we think that those number of customers will be reduced over time and the customer mix, we expect our ARPU to grow further above the current levels.

Another two reasons -- and I'm on point one and two on page 19 -- why we believe that mobile offers potential. First of all, the number of SIM cards per capita are going to increase. Here you see 122% right now of households in Belgium. This should go, I think, for Belgium easily to 164%, which is the benchmark of the top EU countries. But I think there's actually potential; and also, if I listen to other companies like Apple and Samsung, they anticipate that there will be many more SIM cards in the households in the years to come. Our market share, I said before, reached 7% and, again, can grow nicely on our total customer base. So I think it is very good potential we have out there.

On page 20, just a very small highlight on something that I believe is still a unique future of our mobile offering. When most users have a smartphone today, they intuitively know that wherever they arrive, they will first look where the WiFi hotspot is and what code they may need to access it. They do that for two reasons. First of all, the service experience of accessing broadband websites via WiFi is still a lot better than 3G, so people receive a better service quality. And secondly, they also intuitively know that there is little or no cost associated with WiFi access; and, therefore, they save on their usage and therefore indirectly on their mobile cost. And you can see how our hotspots and homespots have nicely increased in usage, and also the volume. And therefore, we believe that we have a strong trend and complement to our King and Kong offering.

On page 21, we switch over to digital TV. You see that we are now well over 1.5 million customers, close to 1.6 million, up 16% year on year. On the right-hand side you see a similar pattern as for the other products for the year. We are again ahead, in terms of net additions compared to the previous year. And on the lower left-hand side, you see that our market share trend up to Q3 in 2012 shows a very healthy clip as well.

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Obviously, our result, as you'll see on the next page, 22, last year was driven by Q2 and Q3 when we did the analog reshuffle. And the analog reshuffle caused many people to convert themselves to our digital platform. And as a result, I think we pulled the market a little forward and therefore saw a little more modest Q4. But all in all, I think very, very strong annual results. And, again, even last year's Q4, 37,000, shows a very comparable conversion of analog to digital, if you were to compare them with the previous Q4. So I think that it's a good result.

Page 23, Sporting Telenet -- as you know, we complemented our offering with all the Belgian league matches that drove a 10% increase on RGUs - 195,000, which I think is pretty much a record. And if we were to combine that with our Walloon cable partners, I think it would be a real impressive number of pay-TV people for sports. And that, I think, in general indicates the potential for pay-TV in Belgium. We also were able recently to renew the Premier League rights for the next three years, which obviously was an important part of our international soccer offering. As you may not know, there are an increasing number of very talented young Belgian soccer players who play in the UK. And that has caused these rights to offer us additional appeal, other than the already great soccer we get from the UK.

On page 24, a highlight on YeloTV. I'd like to point out that our YeloTV platform falls actually in two buckets. One bucket is the renewed software on our set-top box, called also YeloTV, so we're going to renew the interface. It will be very user intuitive. And we're going to offer a number of new applications there as well. Very important for people; makes it easier to use; makes it more modern, I'd say, and the next step in an innovative path. What is interesting to note is that this Yelo software will be able to download over half, 50%, of our current installed base. So we are avoiding here, obviously, a lot of replacement capex of many boxes. And we can, at the same time, very fast move customers to the next TV experience, which we'll start to do later this spring. On the other hand, it also consists of so-called second screen platform. And we're developing that on the multiple platforms you would expect us to do that, like iOS and Android. And we will expect the second screen renewed application, with many new features and content, also in the coming months. And we believe that all of that is going to be a great start of the year 2013 in terms of product innovations.

On page 25, the basic cable TV evolution -- pretty good last quarter, only 11,000 losses, so to speak, compared to much higher numbers in the previous quarters. So I think that we're very happy with the conversion to digital; at the same time also with the reduced loss of analog.

On page 26, a view now on our business service -- and now, again, I'd like to remind you that this is only a partial view of our business services. Because in our residential numbers, we actually also report all the coax B2B lines that we have. And we have actually in recent years pushed very strongly our coax services to small and SoHo kind of customers. And that of course has fueled our -- what you would see as our residential business. At the same time, the business we run -- our carrier business, large accounts, over our fiber networks is reported here. And you see a modest growth of 1%. That's actually due to the fact that the year before, we had a lot of nonrecurring security-related and also install revenues that are non-recurring, and that helped 2011. If I were to take those out, we would actually see a year-on-year growth of 2%. Now, again, this market is heavily subjected to price erosion, so we believe that we held our fort quite well in this market.

On the next page, we've given you some examples of companies where we have installed a number of different applications or installations. ING, we have done a very big project for them to provide a corporate VPN for all the employees. And we have also developed a big cloud virtualization project. Jan de Nul, for another company, we deployed Ethernet connectivity to data centers. The Record Bank is a very similar bank project compared to AXA Bank a few years ago. In this case, it concerns seven hundred agencies that we have equipped with first-rate connectivity. Eandis is sort of out of an ordinary kind of project. It's a special project in which we cooperate with them on the smart metering project. As you know that many households on an electricity network, on the grid, start to actually generate energy and not only consume energy. And that implies that a network operator of energy needs to have a handle on how much is delivered to the network where it is consumed. And that is of course a key part for them, managing their energy supply in a much more efficient fashion. And we are a partner of that trial rollout project. On the right-hand side, you can see that we received great deal of recognition from our customers for our B2B services.

On page 28, a short work on our network evolution. Now a key part is that we keep splitting our optical nodes. And we are now down from 2010, 1,400. Actually about 10 years ago, it was about 2,200, 2,300. We were already in 2010 at 1,400. 2012, 740; and 2015 we expect to be at less than 500. But if you take just the benchmark for 2012, the 740 homes passed per node -- actually not all of those homes take a service from us. And if you look on the right-hand side, you can see that 550 customers actually take an active service, be it telephony, Internet or TV. And it's only actually 350 on every one of those nodes, therefore half the homes passed would take our broadband service. That's consistent with the number I gave you earlier, of the 48% penetration of our homes passed. But what it means is that actually today we only have to divide our broadband capacity

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over 350 actual homes, which allows us, therefore, as you've seen in some of the previous sheets, a very superior speed and experience to our customers.

Now, on page 29, you actually see that our network management towards the future is about a lot more than node splitting. You see on the lower left Pulsar, which is the codename for our node splitting project, that we continue to do that. But we have a few other things that we would like to mention, as you get a better insight in how we look at the network going forward. But it's actually also including the switch from analog from digital. We have reshuffled the number of channels last year. We'll continue to do that in the future. So by freeing up more analog space, we will have more available for digital usage. From the United States, there is a new technology from the CableLabs called CCAP, Converged Cable Access Platform. It is actually a new algorithm that is a software layer for our CMTS installations. And it just allows for more efficient bandwidth allocation and, therefore, throughput. We continue to put more fiber in our network. There's many places where we push fiber to the front and get closer to the last mile, as you can imagine. And I think, last but not least, is probably a couple of years out, but pretty exciting for the cable industry, and I think of very robust picture going forward, EuroDocsis 3.1. I think it should actually have a different name than 3.1. They may actually should have been mentioned, 4.0, because it's such an important leap forward. It's going to allow us, let's say, in about four years from now, to deliver 1 gigabit of speed downstream, and probably a 100 up. If you compare that to where we are today, that it is about the top end of our product line, and then times 10. Or you take the midrange and then times 15 or 20. So that's going to be a huge leap forward. The CableLabs in the United States is working on that right now. It's going to take another year at least before it will go over to the vendors; and they start to produce modems that then need to be tested, developed, et cetera. So we're still talking about a couple of years out. But I wanted to give you the perspective that cable is really the future proof when it comes to increased demand for our customers, or other Internet providers who will take advantage of that to improve their product.

With that, I'd like to conclude for now and hand it over to Renaat.

Renaat Berckmoes - *Telenet Group Holding NV - CFO*

Good morning, and good afternoon to all of you. Maybe quickly flipping to the financials on page 32, where you can clearly see that our 8% year on year and accelerating growth in 9% in the quarter, sorry on page 31, is the result of this exquisite operational results of the fourth quarter, particularly mobile revenues driving our topline growth.

If we go to the next sheet, 32, you can see that fixed line and mobile telephony are now -- have become the biggest growth contributors for Telenet and they will do so going forward. If you want to see the effects broken out of the mobile business, specifically on the revenue growth, I would refer to slide 18 in Duco's section where you could already see that the mobile growth is going to drive further accelerated revenue growth also in 2013. Premium cable TV did very well, as well. It's a combination of higher iDTV customer penetration, as well as an increased traction for our PRIME sports and movie channels, as well as higher video on demand revenues. And also broadband did very well, basically on the back of strong and solid subscriber growth.

If we go to page 33, you can see the flipside, the cost side, where of course the bulk of the cost growth is in network operating and expenses, which is a kind of catchall category. Basically reflecting higher interconnect and mobile wholesale costs, as we have grown our mobile business, as well as higher programming costs. The cost of handsets that we sell through our mobile business because, of course, our mobile stores have sold pretty well on the back of King and Kong. And the higher expenses for marketing reflect of course the launch of King and Kong, as well as the handset subsidies that have been one of the key cornerstones of our strategy. I would like to reiterate that, just in terms of economics, a handset subsidized King customer on average generates about five times the NPV of a King SIM-only plan. And therefore we consider handset subsidies a very important marketing instrument of our mobile strategy. As you will have seen in the press release, our expenses were positively influenced by a few one-off items in the fourth quarter. We have every year, left and right, some one-offs in positive and in negative. A bit more than usual in the fourth quarter, and we decided to actually use that advantage and reinvest that money into the business; so that of course in all in all, our Q4 numbers reflect the underlying profitability of our business.

If we then continue on page 34, that leads me to the EBITDA of EUR787 million, an 8% year-on-year growth with a margin which was stable of just over 52%. As of course the bulk of our growth in mobile has come in in Q4, you will see a more significant impact on our margins going forward

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in 2013. But as you can clearly see here, our margins have held out pretty well, have further increased in the fixed line business. And that increase has partially been sacrificed in pushing our mobile growth.

If you then go back on page 35, you see the evolution of the financing expenses, which are actually the result of the increased debt level that we have on our books since 2012. We first launched our EUR175 million bonds in the spring. And we completed that by a EUR700 million issuance in August, so in total we added EUR875 million of additional debt in 2012. And you see the reflection of the cost of that debt in the increased finance expenses. As interest rates have also gone down in 2012 compared to 2011, we have also recorded a paper loss on derivatives. But as I have already pointed out on previous occasions, this has no cash impact. This is mainly an accounting impact, as we have hedged ourselves against interest rate increases.

Going to page 36, you see the reflection on the net income, which has doubled compared to last year. Although I'll have to remind you that last year our net income was significantly hit by a one-off depreciation of part of our DTT license, on which we took an impairment. And on the right-hand side of the graph where you can compare apples with apples, you see that our net income has stayed stable compared to 2011, excluding one-offs, effects from hedges, and the DTT impairments. And as a result, you could say that what we gained in terms of EBITDA we have compensated by adding more debt; and as a result, paying more interest. Depreciation and amortization are now a bit lower than they used to be in 2011.

Brings me to capex on page 37, where you can see that we have continued investing into our future growth of the business. The bulk of the higher capex in 2012 compared to 2011 is actually higher set-top box acquisition costs, which is the reflection of the very strong DTV growth in the second and the third quarter of 2012, following our analog channel reshuffling, as well as the renewal of part of our set-top box park in anticipation of the launch of YeloTV, on which Duco already alluded to, as of course the first generation of our set-top boxes has become end-of-life. Finally, we have slightly increased, also, our investment rhythm on Pulsar, which is now on cross speed. And we are already preparing for the next move. And Duco has already given you at least some view on how our future network investments look like. But I would like to remind you that these future investments are part of our long-term outlook, as well as our long-term business plan. So, again, in reality there is not that much new, other than that the performance of our network would even be better than we had anticipated. I would like to remind you as well that three-quarters of our investments is growth-driven and growth-reflecting, so the maintenance capex remains fairly limited, to 25% of our total capex budget.

On page 38, you see the reflection of our stable free cash flow, which was really almost flat compared to last year, as the growth in EBITDA has to some extent also been reinvested in higher capex, and it was used for paying more interest expenses on our increased debt levels.

Finally, we move to page 39, where you can see that we had a healthy buffer in terms of leverage. We were ending the year at 3.4 times net total debt over EBITDA. And of course the payout will bring our debt level back to 4.5 times net total debt over EBITDA. But, as you know, we deleverage very quickly. And with the growth outlook for next year, both on EBITDA and revenues, the Company will again be delivering very quickly.

And then finally on page 40 you see our debt profile, which has remained unchanged. So we have no maturities ahead of us, prior to 2016. And on the right-hand side, you see two maturities in 2016. There's a revolver of EUR158 million, which is undrawn, and therefore will not have to be repaid in 2016. So the only repayment to be made in 2016 is EUR100 million, so that picture has not changed. With that, I would like to hand it back to Duco who will take you through the outlook of 2013.

Duco Sickinghe - *Telenet Group Holding NV - CEO*

Renaat, thank you very much. I'd like to turn to page 42, and want to give you a snapshot of what we believe to be our strategic priorities for this year. I think maybe start on the left-hand side with customer-centricity. This is an evergreen in our Company. We continuously focus on the service leadership. And we believe that we can really instill loyalty with our customers by every day doing the small things right. When people have problems, we try to surprise and delight them and give them actually something more.

As you may have heard, we have had -- actually eight, nine days ago -- an outage of a couple of hours that impacted all of our customers. And I think the Company really, in such an incident, showed its strength by really rallying around the operations on a Sunday morning. From a technical point of view; operations; customer care point of view; and also in particular how the people here handled the communication, which was a good

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example of how you would handle, I'd say, a crisis or a communication. But it was handled very well. And obviously a lot of customers had a negative experience that day. But the Company I think, all in all, managed it very well and came through it in a quite respected fashion.

Innovation, YeloTV -- a new way of watching TV. That's going to be a big chapter this year. We're going to come with all kind of novelties. And even after launch we have new ideas. So I think that Company is really charged for a lot of innovation on the TV side. And the set-top box will slowly evolve to more becoming a media gateway for the household; and, therefore, feeding a lot of other devices in the home. And we will continue to work on our speed leadership.

In terms of mobility, it's going to be the second year of King and Kong, so we're going to continuously work on that one. While a number of competitors have reacted to it -- but actually despite those reactions, we still seek continuous good take-up of King and Kong. And we expect, with the distribution we have, the brand recognition we enjoy, that we're going to see continued growth coming out of mobile. It is going to be supported also by something that some of our competitors do not have, and that is the huge network of homespots and public hotspots called WiFree, which is accessible for many, many of our customers; and really makes sure that you can enjoy the smartphone in a much more advanced fashion.

And then, last but not least, the network. We have spoken about the optical nodes that we bring close to the home; fewer homes passed per node. We spoke about some new technologies like CCAP. And we believe that we can do further optimization of our bandwidth.

With that, I'd like to turn to page 43 for our future growth drivers.

We still believe that, as I said before, we can grow our market here to 95% broadband penetration, which leaves us 23% market growth, from which I hope we can benefit, I'd say, disproportionately. And also for TV, we still believe that there is some analog-to-digital conversion left. For mobile, there is particularly a lot of room to grow mobile on our current customer base. And in B2B, we tried to move away from the price erosion by investing in very specific services like hosting, security, cloud, and a variety of video services for larger customers.

I'd like, on the next page, 44, to reconfirm the outlook as we presented it already earlier, this year -- or last year actually. And I'd like to turn over to page 45 where you see our shareholder disbursement. It is on purpose called a shareholder disbursement. We are working on some of the technicalities, but I think that that key messages are that there will be EUR900 million in cash. It will carry, no matter what technology or technique we use, the usual withholding tax. And we will, in addition to that, have a EUR50 million share buyback program, and that is obviously to give the stock some support.

What I then turn over to the last page, 46, in a snapshot we have summarized why we believe, for shareholders, our Company is a great opportunity and asset to look at. First of all, we work every day of the week on enhancing our customer value, by cross-selling, by innovation, but also moving in areas where we have been absent before like, notably, mobile.

We continue to invest in a very consistent fashion our network, and also some unique additions to our network like the homespots, the hotspots and our Ful- MVNO. And we are committed to delivering the broadband pipe, as we believe that the customer needs will continue to grow at rapid speeds and volume over the next couple of years.

We are committed to improved profitability and customer loyalty. We believe that as we work harder and harder on customer excellence, we will see our free cash flow grow. The better quality we deliver, the less costs we will have; and, therefore, the better for both the customer and the shareholder. And, again, our financing framework, as I said before, in the range of 3.5 to 4.5. And it implies that we have therefore a good degree of flexibility and access to cash.

With that, I'd like to hand it back to Vincent.

Vincent Bruyneel - *Telenet Group Holding NV - SVP of Strategy, IR, Corporate Communications*

To the operator, yes.

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Duco Sickinghe - *Telenet Group Holding NV - CEO*

Actually to the operator for Q&A.

QUESTIONS AND ANSWERS

Operator

(Operator Instructions). Emmanuel Carlier, ING.

Emmanuel Carlier - *ING Financial Markets - Analyst*

Yes, hi, good afternoon. I have three questions, if I may. First, on the mobile, could you maybe there give an indication of the percentage of mobile traffic that is done over your own fixed network? Then the second one is on comparing, a bit, the different technologies; so cable with fiber to the home, and eventually also 4G.

So you mentioned that the node speed could move up to 1 gigabit per second in the coming years. So first question on that, do you really believe that this will be needed? And if the case, do you believe that your competitive advantage versus Belgacom will further increase? Because they are not investing yet in fiber to the home.

And then the last question is on the handset subsidies. There could you help us maybe in quantifying a bit the financial impact? So maybe by providing the percentage of total net that took handset subsidy? Thank you.

Vincent Bruyneel - *Telenet Group Holding NV - SVP of Strategy, IR, Corporate Communications*

Hello, Vincent here. On the traffic, we are indeed, let's say, doing some further analysis there on the per customer base, because it's pretty hard indeed to determine -- or, let's say, to identify the different customers and on which network they are actually using that, because you'd need to link a couple of databases there.

What you are seeing, basically, in total -- but that's of course also including our fixed broadband customers. But if we also take those into account, then we see that about 75%, so three-quarters of all traffic that is not going over the domestic network is going through the homespots, and that only 25% is going over the cellar networks, so being over 2G or 3G.

But, again, I think we have to, relative to these numbers here -- because that's also including customers who only have a broadband connection, but are using the Wi-Free homespots with their laptop. So that's indeed the caveat we have to make here. But we're doing some additional analysis, so maybe indeed at the occasion of the next conference call we'll be able to give some more details on the per customer basis.

In terms of handset subsidies, well, basically, if we are looking at the impact on the expenses that we've seen in Q4 and if we're comparing that to the previous quarters, we had an impact which ranged between EUR10 million to EUR15 million in that quarter specifically. So that was basically the impact we've seen, and that was also suppressing the EBITDA for that specific quarter.

Renaat Berckmoes - *Telenet Group Holding NV - CFO*

The number Vince was referring to is what we spent additionally compared to a normal quarter, in terms of handset subsidies in Q4.

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Duco Sickinghe - *Telenet Group Holding NV - CEO*

Maybe the question on the downstream speeds, what I'm referring to is actually a project by the US CableLabs called Docsis 3.1. And it's basically about improving the Docsis algorithm to allow for these bigger speeds. And they are doing this already in the lab now. It needs to be folded into an official standard that will then go to the vendors.

So it's a couple of years out. I don't know whether in a couple of years what the umbilical network will look like, or any other competitive network. But I think that, at least, Telenet has vision of how it wants to move forward and ensure that in a couple of years from now, we can handle these kind of speeds.

The other question was, why would you need that? And probably the best way to describe that is that bigger, let's say, service providers on the Web -- like the search engine providers and other big companies that are aligned -- they are already developing products for about 6 to 7 years from now, which assume 1 gigabit of speed from the distribution networks. So, everybody is assuming that in the future there will be a lot more real-time data access to big mainframes elsewhere on the network. It will create the possibility for complex searches that will combine multiple databases, and therefore allow for, I'd say, superior data services to consumers or businesses.

So most people don't debate the need for speed, also with the video traffic that we see constantly increase. More speed means better quality video traffic across the globe. So we all look at the trends and we think it's quite okay to assume that. And there are definitely people working on the other side, meaning the applications, who will also assume they need that kind of speed to improve their apps.

Emmanuel Carlier - *ING Financial Markets - Analyst*

Yes, and if I may, if we compare it with the better copper networks, so they have been successful in increasing speeds also there. But, yes, at one point in time it will probably stop. Or do you believe that fiber to the home will not really be needed to compete with the cable network? It's of course a tough question to answer, but maybe you have some views.

Duco Sickinghe - *Telenet Group Holding NV - CEO*

We run a cable company, so I'm slightly hesitant to venture into making all kind of statements about the future of copper. It depends whether you have two or four copper wires, for example. There's many variations amongst the telcos in Europe. So I think our statement today is -- and we have made that statement before, it's not necessarily that it's a unique statement today, it's more of a continuation of what we have said in the past -- that we have a long-range plan that will really focus on investing in the network in a variety of fashions, as you have seen on one sheet where we listed all the multiple and often simultaneous initiatives. And that's going to result in a much better customer experience going forward. And it's not going to jump in one go to 1 gigabit. It's going to go into leaps and bolts, and that's going to happen over the next couple of years.

Emmanuel Carlier - *ING Financial Markets - Analyst*

Okay, thank you.

Operator

David Wright, Deutsche Bank.

David Wright - *Deutsche Bank - Analyst*

Yes, hello, guys. Thanks for taking the questions. Couple of questions -- you mentioned there had been a competitive reaction to the King and Kong plans. Can you give us an indication of whether that's tapered down the run rate of net additions? And also, how do you plan to actually react

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to your sales to that? Is King and Kong -- are they packages that you want to see providing incremental value to the consumer; so, effectively cheaper packages?

And then, secondly, could you give us your thoughts, both Duco and Renaat, please -- on the mobile and the quad play product? Is this something where you derive your value really from the growth -- the actual incremental EBITDA that the mobile operation brings? Or is the real value determined at the churn line? Would it be, in the end, even if you were to have mobile prices come down and down, that you would still derive a lot of benefit from lower churn? Thanks.

Duco Sickinghe - *Telenet Group Holding NV - CEO*

A lot of questions, actually. Let me try to answer to a few of your points. When we launched King and Kong, we obviously anticipated our competitors to react, which they did, by and large, in very different ways. For them the situation is a little different because they have typically a large installed base and we don't. So we have a higher degree of freedom to move around. And that explains, I think, part of our success.

The other part is not necessarily the pricing with the competition. We believe that Telenet has a very strong brand, great customer loyalty; and in addition to that, we have great distribution. We have very good online distribution. Also the capacity to have our call centers, when they do the maintenance or service into customers, sell that at the same time products customers don't take yet from us. And we have the huge network of our own shops. We have about 60 Telenet shops, 55 to be exact, I think.

But then we have another 250 independent resellers who push our products, including mobile. That's pretty unique, I think, for a cable company. So all of that means that price is definitely not the only determinant of our success in King and Kong, but it has definitely been the basis of where we started from last August. And we see continued take-up in our -- and, obviously, December was a good season. We have just finished the sale period of January, which is typically a good season. So, all in all, it's pretty good.

On the economics going forward -- or maybe, first, operational -- yes, we do see that customers who have mobile and fixed churn a lot, lot less. So the expectation, when you cross a mobile you go to for 4P. Does it work? Yes, it works. People churn a lot less. So that is a statistic we see. We see that people who have subsidized handset churn a lot less. So the economics, in part, of the handset subsidies are clearly explained by the much-reduced churn of those customers on mobile and, hence, also on the fixed part they take from the Company.

We also foresee, for example, interesting phenomena that our own shops that we bought a number of years ago -- and they were called Bell Company, and we rebranded them now to Telenet because our mobile franchise has become so strong that we didn't need the Bell Company name anymore and we branded them Telenet in full. We see that those shops started to sell a lot more of our fixed products as a result of good traction in mobile. So people come quickly into the store to pick up King and Kong, and as a result they also pick up more fixed sales. And that channel has really developed itself very nicely.

When it comes to the financials, I'd like to turn it over to Renaat. But without giving away too much, we expect that there is a potential for price decreases in the future. And all of that is part of our long-term business plan and long-term cost of operating, including the purchases of those minutes, and as a message from our partner.

Renaat Berckmoes - *Telenet Group Holding NV - CFO*

Yes, maybe two words on the profitability -- or the relative profitability on the products. One of the things we've seen is that mobile and fixed are mutually reinforcing each other in the sense that we've seen that on the back of our mobile phase, we've also had strong performance of our fixed line business. So there's clearly also a moderate halo effect from our mobile business on our fixed line business, which of course also generates value, then, on the fixed.

And, secondly, when you look into the profitability of mobile, you should of course not forget for us that we have to do hardly any CapEx investments in that business; and, therefore, the EBITDA, although it being at a substantially lower margin than the other products we sell, is a nice contribution

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to the bottom line. And from a return on investment principle or from a cash flow generating principle, it's not substantially different from, for instance, our TV business. In other words, it requires a lot less CapEx. And as a result, the free cash flow we generate on the product is very decent, and therefore also worth on a standalone basis.

David Wright - *Deutsche Bank - Analyst*

That's great, guys. Thank you.

Operator

Thomas Deschepper, KBC Securities.

Thomas Deschepper - *KBC Securities - Analyst*

Hi, hello, good afternoon. Just two questions, please. First, given that it's one of the strategic priorities for 2013, my first question is on the YeloTV. Do you have a view on the future CapEx impact to convert the remaining 50% of set-top boxes which cannot download the software upgrade?

And, second -- my second question concerns residential fixed voice. I was wondering whether we can pencil in churn at the same level as witnessed at the moment, given the fixed to mobile migration? Thanks.

Vincent Bruyneel - *Telenet Group Holding NV - SVP of Strategy, IR, Corporate Communications*

In terms of the CapEx for the remaining part of YeloTV, that's actually part of the going concern and the ongoing migration that we're doing there. Because, basically, the customers who are still having the first and generation set-top boxes -- that's basically the people who are not able, indeed, to download to the new user interface -- are more or less already reaching the end-of-lifetime of that set-top box. So that basically would be part of the usual replacement of those set-top boxes in the market, so you shouldn't expect any spikes in the future CapEx projection.

In terms of fixed voice, we expect of course that the churn is going to be somewhat higher than what we've seen in the previous trends. But also Q4 was typically -- acceptable, but there we have seen of course the launch of King and Kong. And that had, of course, some early impact on that one. So, we do see some higher churn, but not of course as we've seen in Q4.

Renaat Berckmoes - *Telenet Group Holding NV - CFO*

Maybe to complete the comment of things on the set-top box CapEx is that those boxes would anyway have come in in 2013 or 2014. So the bulk of that set-top box venue was already in the plans for 2013, and is part of our CapEx guidance for this year.

Thomas Deschepper - *KBC Securities - Analyst*

Okay, thanks.

Operator

Stephane Beyazian, Raymond James.

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Stephane Beyazian - *Raymond James & Associates - Analyst*

Yes, thank you. Two questions if I may. The first one is, how do you see the room for price adjustment and actually price increases? I'm not talking about mobile, but all of your of the TV and broadband services this year, looking at the competition and the current environment.

And my second question is coming back on mobile. You just said, it's quite limited CapEx. But actually do you see any arrears where you could spend a little bit of CapEx, since you are doing so well there, in order to even further improve the margins and the profitability of the [MB Yelo] contract? Thank you.

Vincent Bruyneel - *Telenet Group Holding NV - SVP of Strategy, IR, Corporate Communications*

In terms of the price increase on fixed, that's of course something we are evaluating every year. And as we've also introduced it now in February, that comes along with the adjustment of the price inflation that we're seeing, which is typically something that we are looking into on a yearly basis. Of course, and in the future, we will continue to look at that thing, how inflation is indeed progressing there. But of course we also take, as every year, competitive market into accounts, since of course a combination of a couple of factors there.

In terms of the additional CapEx that we need to spend in mobile, actually I think we've done the vast majority already in the past two years because we fully upgraded our core network already, so the HLR and the other equipment has been fully upgraded. So, bar from any additional trunk capacity that we need to foresee with our partner Mobistar when we are increasing subscribers, there is basically no need for incremental CapEx there.

Stephane Beyazian - *Raymond James & Associates - Analyst*

Thank you.

Operator

Peter Testa, One Investments.

Peter Testa - *One Investments - Analyst*

Hi. I just had two brief questions, please. One is, if you look at your 2013 guidance, are you assuming a similar EUR10 million to EUR15 million per quarter elevated handset subsidy, and also continued elevated commission costs related to mobile?

And the second question is just on the buyback threshold, this EUR35 reference price, beyond which Liberty would have to compensate those who accepted the offer. Is that price then going to be adjusted down for the capital return?

Renaat Berckmoes - *Telenet Group Holding NV - CFO*

I will start with the first one on mobile. Of course I cannot disclose you what commercial policy we have over the different quarters for 2013. That would be giving too much insight to our competitors of what our plans are. The only point I want to make with respect to Q4, as you have seen in the previous years, Q4 is always the most intense quarter in terms of marketing and sales activity; so, therefore, it should not be seen as a reference for the rest of the year, as it has never acted as a reference for the other quarters in the fixed line business. To that extent, the trend you have seen in Q4 on mobile is not going to be different than for the fixed line businesses. In other words, we will spend less in the other quarters of the year than in Q4.

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Then with respect to the EUR35 price of the Liberty bit, Liberty has indicated to us that they will reduce that EUR35 per EUR40 with what pay out as a dividend. In other words, they will compensate the shareholders. Let's assume that dividend is EUR8, that's just easier to calculate. As soon as they buy above EUR27, assuming an EUR8 dividend, they would compensate the shareholders that have sold the shares in the Liberty tender.

Peter Testa - *One Investments - Analyst*

Right, okay. Maybe if I could just, on the first question, ask it slightly differently. Are you assuming the cost of a successful mobile year in your guidance, because it does have elevated costs in terms of acquiring the new customers? Or, I know it's different to seasonally by quarters -- but you assume that continues through next year? Or are you assuming that, at the moment, that the start was a very good start but you don't want to chance it, and the cost to go along with can't be extrapolated?

Renaat Berckmoes - *Telenet Group Holding NV - CFO*

Peter, I really cannot give that competitive information. I really cannot.

Peter Testa - *One Investments - Analyst*

Okay. All right, okay. Thanks.

Operator

Marc Hesselink, ABN AMRO.

Marc Hesselink - *ABN AMRO - Analyst*

Yes, hi. Couple of questions. Firstly, you still have the target of transferring 20% of your currently analog customers to digital. Are you also planning for a real analog switch-off anytime soon?

Then, secondly, can you give an update on the regulation, especially the [Polycom] opening of the cable, and what you're going to do with your 3G license?

And then two questions on more of the longer-term, especially on the -- you said for the EuroDocsis 3.1, available in four years. Would that be available on the current set-top boxes with a software upgrade? Or do you need replacement CapEx at that time?

And just the other one on the TV anywhere, you still have that DTT license. Is that something you could include into this TV anywhere?

Renaat Berckmoes - *Telenet Group Holding NV - CFO*

That's a whole bunch of questions. Maybe I'll start off with the wholesale. As you might have read, we have been working on a reference offer and we will continue to do so, so we are in discussions with the regulator on that wholesale offer. And as soon as there is a reference offer, it will be announced. So we expect, still, that the timing for that reference offer is Q3 of this year. And of Q3 of this year, that hasn't changed.

With respect of the 3G license, we are investigating, as we have done in the past -- months and even years already -- possibilities of using it in a financially and operationally interesting way. So we have discussions, and we are still entertaining discussions with different parties to that extent. Can't comment too much on that.

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But I want to reiterate that there are still a few key elements missing as there is, for instance, no national roaming foreseen in 3G license, which is of course a big handicap to start roaming out of our spectrum. There is a problem in the complexity of the antennas; the opening up of the antennas, as well as the availability of building permits to build new ones, should we ever desire to do that.

So these are the two most important issues that have to be tackled before we can actually even imagine of building a new network, or part of it. But as we said, we have no intention to do that. So we have been focusing, still, on other alternative means of using the spectrum. And we will continue to do so.

In terms of Docsis 3.1, you are referring to set-top boxes. But Docsis is not running on set-top boxes, it's running on our Internet modems. And our modems are separate devices. So they are not included in the set-top boxes, so it will not require any set-top box changes whatsoever.

And with respect to the DTT license, we have launched Teletenne. We are awaiting a new technology upgrade, TV DB2, to actually further strengthen the quality of the product. As well as we are negotiating with certain broadcasters to have a more complete offering on that product as well. As soon as those two parameters are fulfilled, you could expect additional product launches through the use of the DTT license.

And, finally, on the analog switch-off, I think what we've seen in the past year is that there is a natural migration from analog to digital. We expect that also to continue in 2013. And then we'll see where we are at the end of the year. But there is no regulated switch-off date foreseen.

Marc Hesselink - *ABN AMRO - Analyst*

Okay. On the set-top box, I mean -- I'm right then, it's quite close to the licensed set-top box of UPC, the new Yelo platform. Especially the interface. Does it mean that that product is capable of using all the euro Docsis standards?

Renaat Berckmoes - *Telenet Group Holding NV - CFO*

Yes, actually the difference between the Horizon box and the Telenet boxes is that, in the Horizon box, there is a modem included in the box. It's built in into the set-top box. Due to a network topology between our network and, for instance, the one in the Netherlands, we have always opted to take the modem outside the box and to run it separately.

So, the set-top box is not depending on Docsis 3.1 or Docsis 3.0. I think nor in the case of Liberty nor in our case. The only difference is, should there be a modem switch needed in the case of Docsis 3.1, we don't have to replace set-top boxes because we have no modem inside.

Marc Hesselink - *ABN AMRO - Analyst*

Yes, okay. Clear. Thank you.

Operator

Dimitri Kallianiotis, Citi.

Dimitri Kallianiotis - *Citigroup - Analyst*

Thank you. I've got two questions. The first one is on your WiFi offload. I wanted to know if it's possible -- if it would be possible afterwards to get the offload on what as well on offload on networks that you don't own? For instance, with VOO? Would it be possible for someone, today subscribers to go to someone who is on -- who is using VOO and to get -- to use as well the WiFi? If it's something that you're looking at.

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And in terms of also going to 4G, I want to get your view if you expect the profitability of your mobile business to decline. Because usage will probably go up on 4G and, therefore, you will need to pay more to -- in terms of usage to Mobistar, if you think that the offload -- offloading more data will allow you to keep the margin stable.

And last question, on regulation, we are obviously waiting for the results of your appeal against cable regulation. I wanted to know if even if you are successful and there is no cable regulation, would you still consider for instance doing a wholesale deal with for instance that Mobistar? Or is it completely out of the question if you are not forced to open your network? Thank you.

Vincent Bruyneel - *Telenet Group Holding NV - SVP of Strategy, IR, Corporate Communications*

I think on the first question, the homespots, today it's a platform which were only using for our existing customers. And there is no roaming available yet on other platforms. But of course that are all areas that we could look into. And, definitely, I think with VOO in the south, could be an area that we could add on in terms of mutual usage of the homespots.

In terms of the 4G rates, going forward, well -- the only thing we can say there is that the rates for 4G have already been discussed, and are already also confirmed and part of the contract that we currently have with our partner Mobistar. But of course we can't disclose what these economics are.

Renaat Berckmoes - *Telenet Group Holding NV - CFO*

But we don't expect any negative impact on the mobile margin as a result of these the switch to 3G from 4G. Quite the contrary.

Vincent Bruyneel - *Telenet Group Holding NV - SVP of Strategy, IR, Corporate Communications*

And because 4G is typically cheaper in terms of cost on 3G. From the wholesale there is not a whole lot to say, other than that Mobistar has said they are interested in regulated access to the cable, which in no way we could almost say recognizes the quality of the network that we have. But as you probably are aware, is that we are working with the regulator on the reference offer, both on an operational sense as well as the financial numbers, so that's going to take another while and then it will be published. So that is where we are focused on. We don't have any particular other conversations going on.

Dimitri Kallianiotis - *Citigroup - Analyst*

Thank you.

Operator

Sander Van Oort, Kempen.

Sander Van Oort - *Kempen & Co - Analyst*

Hello. Two questions, if I may. First on digital television, where of course you saw in the continuation of migration towards digital in the second end of the third quarter, with a bit of a slowdown in the fourth quarter. I was wondering what kind of pattern can we expect for next year? Will we see another slow quarter in the first quarter and a kind of a build up throughout 2013? Or maybe you can elaborate a bit on that.

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And secondly on business, it was of course a slow quarter, partly due to difficult comps, but can you also maybe say something about the churn rates, whether that's increasing or not? And, thirdly, the technical difficulties you experienced a couple of weeks ago, to what extent has it any impact on your financials. That's it for my side.

Duco Sickinghe - *Telenet Group Holding NV - CEO*

Duco here. I'm just writing this down. DTV seasonality? Hard to tell. We don't have, this year, a scheduled analog reshuffle, which caused I'd say the seasonality to differ compared to normally. In general, Q1 and Q4 tend to be the stronger quarters, with Q2 and Q3 a little slower. But if you look at the historical trends, there have been years that we have had a good Q3 and a slower Q4. So it's hard to say. Obviously we have put some seasonality in our budget. But that really revolves around putting more emphasis on Q1 and Q4. but not necessarily by a whole lot.

Two, B2B. I can report that the churn for large accounts is actually very, very limited. And it's always a discussion about renegotiation of contracts, with some implied price erosion.

And your last question on that network was (multiple speakers) -- for the network outage. We have proposed to our customers to watch that same day the premium soccer channels for free, including the Super Bowl, which was broadcast in the evening. And we gave everybody -- we're in the process of doing it, actually -- a free movie. So the free movies are going to cost us obviously something. That is not a small budget; it's not very big, either. But it's something that we will absorb in the guidance that is given.

Sander Van Oort - *Kempen & Co - Analyst*

Okay, thank you.

Operator

Usman Ghazi, Berenberg Bank.

Usman Ghazi - *Berenberg Bank - Analyst*

Good afternoon, gentlemen. Thank you for taking the question. I have two questions, please -- or three, rather. The first question is on the mobile ARPU. In the long-range business plan, it was said that the mobile ARPU is going to be around the mid-EUR25s and obviously you're talking about higher numbers. Has the recent performance changed your view on what was disclosed in the long-range plans? That was the first question.

Second question is on the mobile customers that you are getting, are they customers from Flanders only? Or are you getting people from Wallonia, just getting sims on your website as well?

And then, the third question was on the analog cable signals. We've seen other cable operators in Europe now unencrypting the analog signal. Do you have any plans to do something similar? Thanks.

Vincent Bruyneel - *Telenet Group Holding NV - SVP of Strategy, IR, Corporate Communications*

Usman, your first question -- the ARPU in the business plan, that indeed has been made public a couple of months ago. Is it indeed is assuming that the ARPU on mobile is going to decline over time, and because we are assuming that there will be more price erosion to existing contracts. And I think that's a natural evolution that we will go through. And that's basically in line also with what we're seeing on the fixed side happening there.

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Now what we do see, of course, is apparently the uptake of the mix of King and Kong and also the addition now of the handset subsidy plans, are indeed yielding towards a slightly higher ARPU than what we have assumed. So we have now exceeded the EUR30. So that is indeed better than what it was in the business plan. But of course going forward, you should assume that that ARPU is also going to decline slightly year over year. But today we are indeed ahead of that business plan.

In terms of the inflow of customers that we're seeing on mobile, the vast majority is indeed happening in the Flemish region, where we have our footprint. But we also do see that there is a small amount of customers coming in from outside of footprint. And that's predominantly coming in -- well, being generated in Brussels. Because in Brussels we only have one-third of the footprint as a cable network there. But we also see that other people living outside of the Brussels footprint take our mobile product as well, because we basically do the marketing and promotions there in the entire city of Brussels. So that also create some inflow.

Usman Ghazi - *Berenberg Bank - Analyst*

And on the unencryption of the analog signal -- do you have plans to do that?

Duco Sickinghe - *Telenet Group Holding NV - CEO*

We have made no announcement to that effect.

Usman Ghazi - *Berenberg Bank - Analyst*

Okay. Thank you very much.

Operator

(Operator Instructions). Saroop Purewal, Morgan Stanley.

Saroop Purewal - *Morgan Stanley - Analyst*

Afternoon, everyone. Just a couple of questions. The first one on YeloTV. You talk about more ARPU and I was just wondering how that will happen, how that will develop? And then the second question was, we saw from other cable operators that reported so far this season that subscription on premium TV had come down and there was some kind of threat from OTT. Have you seen that as well?

Renaat Berckmoes - *Telenet Group Holding NV - CFO*

With respect to the additional ARPU because of the YeloTV, it's not that we would necessarily charge extra for the service. But of course the platform has a much richer library and has a much better search and recommend function than the current platform. So we expect as a result of that -- as we've seen two years ago, when we launched our current user interface, that it will have a positive impact on video on demand business. So, nothing else.

With respect to cable operators actually seeing some impact on their premium TV business, I can say that we've seen the same impact as apparently other companies have. We see very strong and healthy take-up of our premium TV packages, both the movie and the sports packages. So that business is doing quite well.

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Vincent Bruyneel - *Telenet Group Holding NV - SVP of Strategy, IR, Corporate Communications*

I think it's also very specifically in certain markets. All we can say is that in Belgian and the Flemish region, where we are active in, that we haven't seen any big movements from alternative OTT players. And basically the answer that we're preparing now and that we'll be launching very soon now, is going to be indeed the new YeloTV platform, which is also going to work multiscreen. So it will have a very extensive library available on that platform. And on top of that, you'll also see be able indeed to stream almost all channels that are also available on your set-top box. And I think that's also going to be the best defense that we will be able to put into the market against any OTT movements in our market. But so far, we haven't seen any new entrants coming into our footprint with OTT.

Saroop Purewal - *Morgan Stanley - Analyst*

Okay, thank you.

Operator

Will Milner, Arete Research.

Will Milner - *Arete Research - Analyst*

Thank you. Just a couple of questions on the mobile economics. I know it's been a bit of a focus on the call. On the SAC -- maybe I can ask it a different way -- what was the average SAC per mobile gross at in the fourth quarter? And then, secondly, thinking about the ARPU on mobile, you mentioned it was around EUR30; which if you take out the interconnect, is around EUR23 on outbound.

So I think if you look at the payments that you're making to Mobistar, that looks to be certainly less than EUR10 a month, which suggests a gross margin on mobile of over 60% on outbound. I just wonder if you could comment on that, whether that's plausible or not?

And then a longer-term question on mobile. Do you see at some stage Telenet owning a mobile network? It does seem that as your equity gets rated more and more highly, and the valuations of mobile operators like Mobistar and [Pace] just continue to fall, and this becomes financially more and more of an interesting option. I just wanted to get your thoughts on that. Thanks.

Renaat Berckmoes - *Telenet Group Holding NV - CFO*

I'll start with the mobile economics, both on the distribution between the ARPU and in the gross margin and what we pay to Mobistar. Of course we cannot make any comment. I think you are a bit generous in terms of attributing a 60% gross margin to that product, so it's lower than that anyway. And in terms of subscriber acquisition costs, that is also sensitive information and we cannot give that to you.

Vincent Bruyneel - *Telenet Group Holding NV - SVP of Strategy, IR, Corporate Communications*

I think maybe one that we can add, of course, is that the interconnect you are looking at is of course purely interconnect. Then of course on top of that we're still also paying additional fees to Mobistar, which are also for the usage, for the real usage. That comes on top of course of purely interconnect that has been disclosed in the reports. And that's also the reason why the gross margin that you calculated is of course somewhat lower than your assumptions.

Will Milner - *Arete Research - Analyst*

Okay. And on owning a mobile network, long-term?

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Duco Sickinghe - *Telenet Group Holding NV - CEO*

I don't think that's a topic we would cater today. We have no view on that. And I don't think it's a priority for us.

Will Milner - *Arete Research - Analyst*

Okay. Thanks a lot.

Operator

For your information, there are no further questions in the queue.

Vincent Bruyneel - *Telenet Group Holding NV - SVP of Strategy, IR, Corporate Communications*

Okay, ladies and gentlemen. Thank you again for your participation on this call. Should you have any follow-up or outstanding questions, the Investor Relations team will be more than happy to answer them. We say now goodbye, and hope to see you soon during our road shows or conferences in the coming weeks. Thank you and bye-bye.

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